



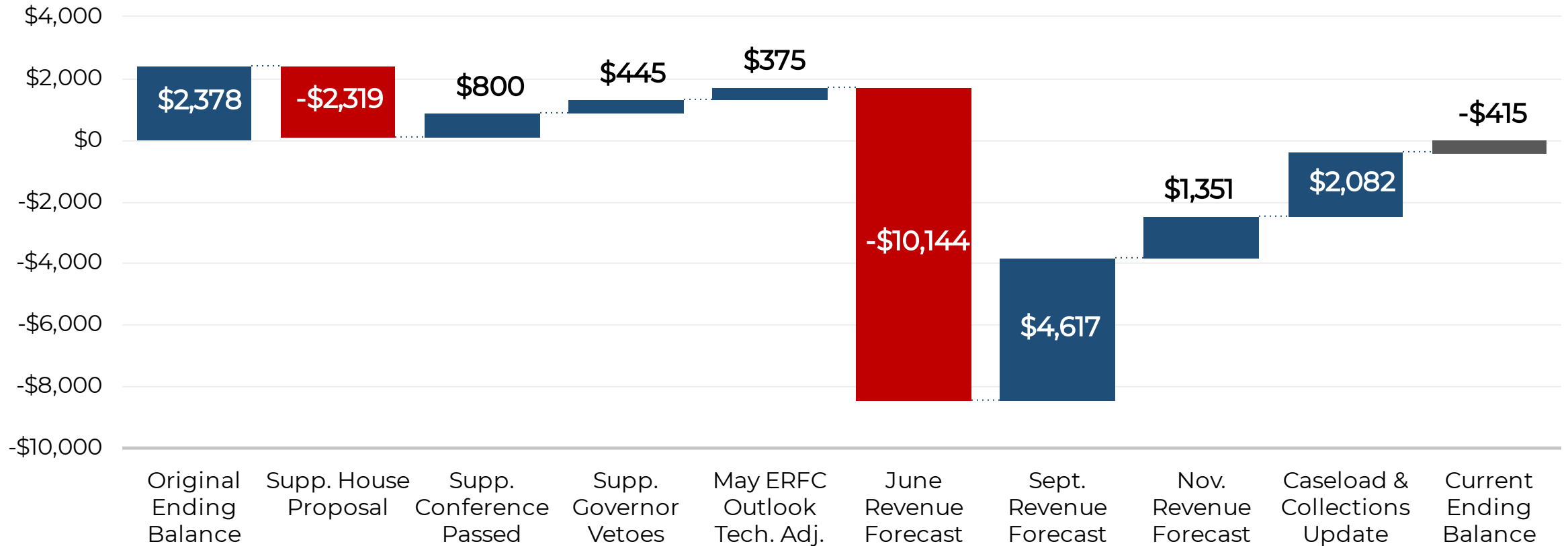
House Republican Budget Framework

2021-23 Biennial Operating Budget Proposal

Budget and Revenue Context

How did we go from the biggest surplus to the deepest deficit and where are we now?

Changes to FY23 ending fund balance since February 2020 (NGF-O, in millions)



A photograph of a fish, likely a trout or salmon, jumping over a small, low concrete dam in a stream. The fish is in mid-air, with its body arched and fins spread. The water is dark and turbulent as it flows over the dam. The background consists of a rocky riverbank with many small, light-colored stones.

State Needs

If we were in charge, what would we have to fund to govern responsibly?

- Debt service on new projects (\$340M)
- DD/LTC “shared benefit” rule (\$265M)
- Updated SEBB rate (\$185M)
- Restore unrealized savings (\$100+M)
- Central services and IT (\$220M)
- Employee compensation agreements
- COVID response



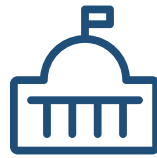
Caucus Priorities

If budgets are about priorities, what are our priorities?

- Fiscal responsibility
- Reopen schools/economy
- Provider rates
- Community treatment
- Fix homelessness
- Forest management
- Charter schools
- No new taxes
- Tax relief for families
- Childcare options
- Foster care
- Rental assistance
- Broadband access
- Salmon hatcheries

Guiding Principles

What are the non-negotiable pillars of a House Republican budget?



Fund State's
Needs & Priorities



No New Taxes



No Cuts to Critical
Services

Savings through Rational Decision-Making

How can the budget be balanced in a manner consistent with our guiding principles?



Accounting-Driven Savings

Use federal dollars and dedicated accounts to pay for programs in order to maintain service levels while freeing up state funds

\$1.8B in NGF-O savings



Agency-Driven Savings

Recognize budget reductions already implemented by agencies, as well as from historic underspends and project delays

\$1.4B in NGF-O savings



Legislative-Driven Savings

Capture savings by eliminating unnecessary bureaucracy, inefficient structures and programs that don't improve outcomes

\$3.0B in NGF-O savings

Legislative-Driven Savings Opportunities

How can we save money beyond fund swaps and agency ideas?

Reduce unnecessary bureaucracy

- Cut large agency HQ by 10 percent
- Restore student-to-administrator ratios to pre-recession levels
- Leverage internet tools to collect data, hold meetings, etc.
- Phase out positions that agencies deem unnecessary

Fix inefficient structures

- Merge minority commissions into a Minority Affairs Commission
- Combine anti-tobacco and anti-marijuana campaigns
- Consolidate pension systems into one adequately-funded system
- Move office and parking footprints to lower-cost locations

Eliminate programs that aren't working

- Don't pay National Board bonuses if they don't improve learning
- Defund policies found have a negative cost-benefit ratio
- Cancel "Results Washington" after 9 years of no results
- Stop funding new oversight roles if they fail to reduce costs

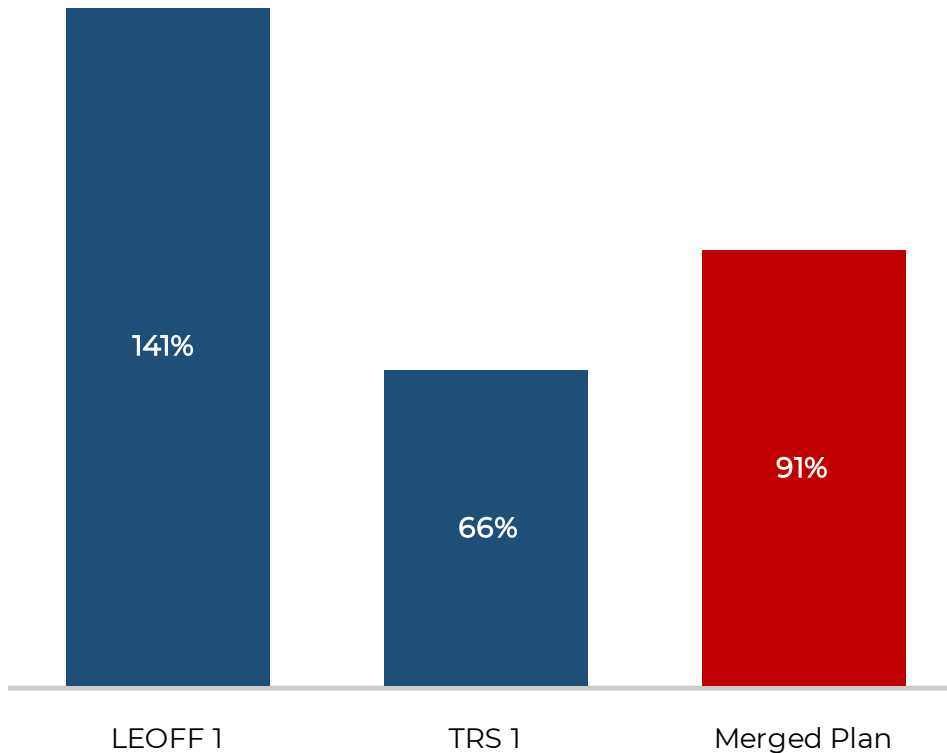
Replace bad policies with better ones

- Curtail financial aid to affluent and/or out-of-state students
- Rebase funding formulas if costs grow more slowly than expected
- Roll back unnecessary "consumer directed employer" for IPs
- Incentive WSH improvements by not continually backfilling budget

LEOFF 1 Merger

How does merging pension systems save money? Are benefits reduced or threatened?

Funded Status of “plan 1” pensions



TRS 1 is underfunded, so the state pays **hundreds of millions of dollars per year to reduce the unfunded liability**

Merging LEOFF 1 into TRS 1 **decreases the total unfunded liability, thereby reducing the size of “catch-up” payments**

Pension benefits are not decreased by a merger; they are constitutionally-protected

Combining LEOFF 1 and TRS 1 results in a **funded status in line with the state's other highly-regarded plan 2 systems**

If LEOFF 1 does not merge with another plan, **remaining plan assets eventually revert to the state**, not to LEOFF 1 beneficiaries or their families

A Real Budget for Everyone

Who does this budget framework help?



Working Families



Growing Students



Vulnerable People



Small Businesses



All Washingtonians



Working Families

How does this budget create opportunities for working families?



Sales Tax Rebate

Funds the Working Families Tax Credit for the first time in its 12-year history



Sales Tax Cuts

Sales tax exemptions for necessities like prepared food, breast pumps and diapers



Child Care Options

Grants and higher rates to keep providers open, and copay help to keep them affordable



Parent Stipends

\$300 stipend for parents of kids on free/reduced-price lunch to defray cost of remote learning



Growing Students

How does this budget help growing students thrive?



School Reopening

Additional funding for schools to safely reopen, made available to districts once they reopen



Charter School Equity

Enrichment funding for charter (and tribal) schools in line with traditional public school levies



Accelerated Learning

Extra instruction to address learning loss that occurred during in-person closures



STEM Slots

1,000 new slots for high-demand STEM fields at state universities and community colleges



Vulnerable Populations

How does this budget help protect society's most vulnerable?



Homeless Solutions

\$200 million per year to cities to combat homelessness, provided they ban injection sites and clean up encampments



COVID Precautions

Funding for agencies to provide PPE and testing to clients and staff and to continue seamlessly serving critical populations



Mental Health Services

3x as many investments in community-based options than the Governor funds, and closes state wards more responsibly



Higher Provider Rates

Increased Medicaid rates, more frequent nursing home rate rebases and rate increases for DD and LTC providers



Small Businesses

How does this budget help small businesses recover?



UI Fund Solvency

Replenishes UI trust fund so employers aren't liable for mandatory closures or payments to Nigerian scammers



Tax Deferrals

Offers B&O, property tax and liquor fee deferrals for small businesses so they remain solvent through shutdowns



Tax Reductions

Temporarily reduces B&O taxes for some of the hardest-hit industries, including restaurants and other hospitality businesses



Tourism Marketing

Boosts funding for Washington state's tourism marketing campaign to help accelerate our post-COVID recovery



All Washingtonians

How does this budget help all Washingtonians?



No New Taxes

Funds existing needs and emerging priorities, without cutting critical services or raising taxes on anyone



Forest Management

Fully funds DNR's forest health management plan, improving the value of state forests and reducing catastrophic fires



Public Health Services

Invests more in foundational public health than the Governor's plan, without taxing health care plans to do so



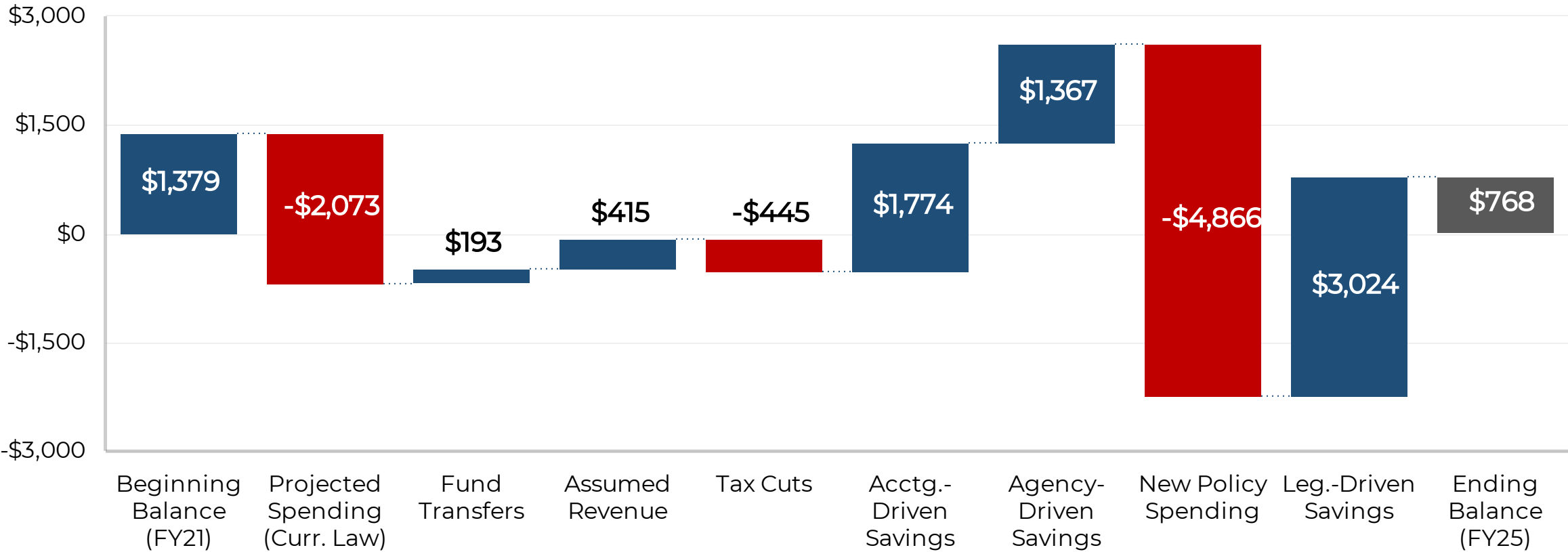
Salmon Hatcheries

Maximizes production at state and tribal hatcheries, so people and orca have salmon to enjoy for generations to come

Proposed Changes

How do the tax cuts, savings opportunities and new investments influence the bottom line?

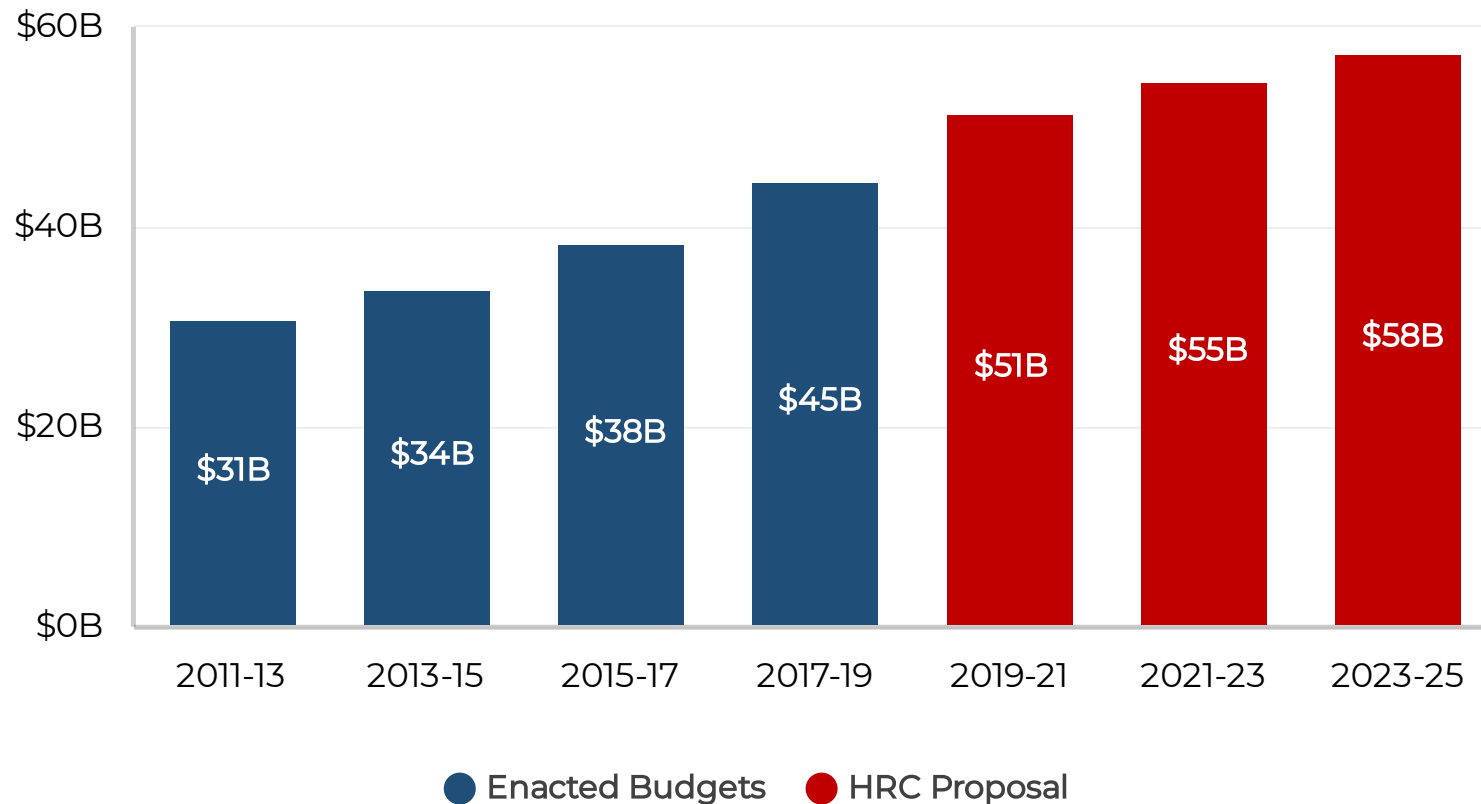
Puts and takes in HRC budget proposal (NGF-O, in millions)



Budget Sustainability

Is this budget responsible? Does it spend too much or too little?

Near General Fund (Outlook) Spending, by biennium



Even during pandemic, state revenue is growing by 4.3 percent per year; this proposal still grows spending, but consistent with inflation, population and revenue growth

Budget spends entire \$1.8B “rainy day” fund, but only on one-time COVID-related expenses, and balance grows back to \$1.1B by end of FY25